

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

February 21, 2014

The 332nd meeting of the Rhode Island Higher Education Assistance Authority was held Friday, February 21, 2014 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairwoman Ms. LaSalle called the meeting to order at 9:50 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Dr. William Croasdale, Vice Chairman

Mr. John Howell

Mr. Robert J. Delaney

Mr. Daniel Egan

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members Absent:

Ms. Patricia Doyle

Mr. Dennis Duffy, Esq.

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Joseph Palumbo, Esq., Legal Counsel
Mr. Charles Miller, CIO
Mr. Marc Lacroix, CFO
Ms. Linda Makhlouf, HR
Mr. Thomas Pearce, Account Resolution
Ms. Dana Peterson-Fatuda, RIHEAA
Ms. Lisa Shevlin, RIHEAA
Ms. Patia Bertram, RIHEAA
Mr. Steven Straychzak, Council 94
Mr. Ben Chandhok, Legislative Analyst
Mr. Blake Shelton, House Oversight Analyst

1. The Minutes of the Board of Director's Meeting held on January 17, 2014 was unanimously approved.

2. Chairwoman's Reports: No report.

3. Acting Executive Director's Report: Ms. Mance-Rios reviewed the Consolidated Agency Proposal power point presentation from the Finance Committee meeting held on Wednesday, February 19, 2014.

Ms. Mance-Rios stated, included in this presentation is the FTE

count, which is part of the consolidated agency perspective. Ms. Mance-Rios stated that without making any major changes, we could continue to provide the services to students, educators and institutions. Ms. Mance-Rios explained, we know the rehabilitation retention rate will be cut, and a rule change will begin July 1, 2014, which will affect our collections. The information was based on information provide by Sallie Mae. We also assumed a 24 FTE count as of July 1, 2014, and an increase of salaries and benefits for staff pending union contract resolution.

Ms. Mance-Rios stated, in the proposal we did not assume any underwriting support of WaytogoRI from the CollegeBoundfund. We have conservative increases of revenue for the CollegeBoundfund, based on projections provided by AllianceBernstein. We do not include a carry forward of revenue from one year to the next. We do not include any use of the reserve funds to support operations. Ms. Mance-Rios stated we do know that we need to make changes, especially in the loan program.

Ms. Mance-Rios stated if we move to a full-service contract with Sallie Mae, by 2016 we increase net revenue. The contract will have to be renegotiated. We would work with our federal representatives to develop another funding source to support our work in the agency. Ms. Mance-Rios suggested charging a fee for service to organizations, similarly to the DCYF program and the RI College Crusade, which helps manage their scholarships and grant programs

as possible revenue for the agency.

Mr. Feisthamel asked about the cost of Sallie Mae collections management. Mr. Lacroix explained that we were told that claims processing would cost an estimated \$50,000 of the increase of Sallie Mae fees. The variable component is based on the declining portfolio. Mr. Lacroix explained that our fees to Sallie Mae increases as the loan portfolio grows. Mr. Lacroix stated that he is awaiting further conversations with Sallie Mae.

Ms. Mance-Rios is recommending restructuring of the State Grant Program's funding formula to award our needest students.

Mr. Howell asked about the overall amount of grants. Ms. Mance-Rios explained that according to the Governor's budget proposal, we have been asked to use \$1.5 mil from the agency reserves to back-fill the \$6.5 mil this year.

Mr. Egan remarked that the Pell Grant and the State Grant go together. Creating access is just as important as completion.

Ms. Mance-Rios stated she is working with our National Student Clearinghouse partners to determine the drop-out and completion rates.

Ms. Mance-Rios added, she was invited to participate in an RFP to

help redesign the State Grant program by NEBHE, which she stated she accepted.

Ms. LaSalle asked if this presentation is ready to be submitted to the House Oversight Committee. Ms. Mance-Rios replied yes.

Mr. Lacroix stated that conversations with Sallie Mae are on-going. Ms. Mance-Rios reiterated that the portfolio does not belong to RIHEAA, it belongs to the federal government; we service it and administer the program.

Mr. Delaney asked, if we move to a full-service model how many employees will lose their jobs. Mr. Feisthamel stated nine. Mr. Delaney replied before that happens, conversations with the Union should be conducted. Especially when speaking about reduction in staff. Mr. Delaney asked Ms. Mance-Rios to conduct a meeting with the Union representatives within the next 30 days. Once this done, perhaps a Personnel meeting should be scheduled.

Mr. Feisthamel made a motion to direct the Acting Executive Director to initiate conversations with the Union/Local representatives relative to the strategic plan and the financial analyst within the next 30 days, seconded by Mr. Delaney.

Voted in Favor: Dr. Croasdale, Mr. Howell, Mr. Egan, Ms. LaSalle, Mr. Delaney and Mr. Feisthamel

Voted against: None

Ms. Mance-Rios continued with the three options for the Endowment of the agency operating funds. One option is for the Universal Savings Account, a Matching Grant program and lastly a pilot program to support students pursuing targeted workforce skills. These are some of the options stated Ms. Mance-Rios.

Mr. Howell asked if the reserves were to go into an endowment, how would the income from those be used. Mr. Feisthamel stated that it could be used to supplement an operational grant program, such as a contingent grant.

Mr. Delaney suggested adding an economic development tool to the powerpoint presentation. In addition to university and college degrees, this is the focus right now and it should be tied into the overall state plan. Mr. Delaney stated that we should use this endowment fund to provide the opportunity for all students to be able to get degrees or industry certifications in areas where gaps have been identified in the state.

A motion was made to contemplate an endowment fund of the reserves and continue to discuss restructuring of the funding formula of the Rhode Island State Grant by Mr. Egan, and seconded by Dr. Croasdale.

Voted in Favor: Dr. Croasdale, Mr. Howell, Mr. Egan, Ms. LaSalle, Mr. Delaney and Mr. Feisthamel

Voted against: None

4. Action Item: Approval of the Consolidated Agency Proposal: Mr. Egan stated that this item can not be voted on until final numbers are presented and conversations are conducted with Union representation.

5. Action Item: Approval of the RISLA Lease: Ms. Mance-Rios stated that the prior lease agreement has been revised to reflect a one year, with an option for two years. Mr. Palumbo stated that the changes to the lease was a response to the concerns of the Oversight Committee, of RIHEAA binding itself to any long term lease in the current climate. This gives RIHEAA the ability to terminate the lease early if necessary.

A motion for a one-year lease to the Rhode Island Student Loan Authority (RISLA) with an option to renew for two years was made by Ms. LaSalle and seconded by Dr. Croasdale.

Voted in Favor: Dr. Croasdale, Mr. Howell, Mr. Egan, Ms. LaSalle, Mr. Delaney and Mr. Feisthamel

Voted against: None

There being no further business to come before the Board of Directors the meeting was adjourned. Adjournment was at 11:00 a.m.

Mr. John Howell
Secretary